

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 7730**

**BILL NUMBER:** HB 1664

**NOTE PREPARED:** Feb 20, 2007

**BILL AMENDED:** Feb 15, 2007

**SUBJECT:** Tax Credits for Property Maintenance.

**FIRST AUTHOR:** Rep. GiaQuinta

**FIRST SPONSOR:**

**BILL STATUS:** 2<sup>nd</sup> Reading - 1<sup>st</sup> House

**FUNDS AFFECTED:** ☒ **GENERAL**  
☒ **DEDICATED**  
☐ **FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** The bill authorizes the designation of property maintenance areas (PMA) in any municipality. It provides that the fiscal body of a municipality may designate the PMA and provide an income tax credit for qualified expenditures made for certain maintenance activities performed on certain property in a PMA. It also requires the Department of State Revenue and the county auditor to reduce the amount of property tax replacement credits (PTRC) distributed to a municipality in an amount equal to the total amount of income tax credits awarded for property maintenance in the municipality.

**Effective Date:** July 1, 2007.

**Explanation of State Expenditures:** The Department of State Revenue (DOR) would incur some administrative expenses relating to the revision of tax forms, instructions, and computer programs to incorporate the property maintenance area tax credit. The DOR's current level of resources should be sufficient to implement these changes

**Explanation of State Revenues:** (Revised) *Summary:* The bill establishes an Adjusted Gross Income (AGI) Tax credit for qualified maintenance expenditures made by an individual or corporate taxpayer on the taxpayer's real property located in a property maintenance area (PMA). The amount of credits that could potentially be claimed is indeterminable and would be contingent on the number of cities and towns that establish PMAs, the scale of the PMAs, and the maintenance expenditures that would be creditable. The revenue loss from the PMA tax credits would, however, be offset by reductions in PTRC distributed to cities and towns with PMAs in the year following the year the credits are claimed. The tax credit is effective beginning in tax year 2008.

*Background:* The bill authorizes cities and towns to establish by ordinance a property maintenance area (PMA). In the PMA taxpayers could claim AGI Tax credits for maintenance expenditures on real property listed in the PMA ordinance. The credit is equal to the lesser of 50% of the qualified expenditures made on the taxpayer's property in the PMA or \$1,500.

The bill does not provide for the tax credit to be refundable, or for taxpayers to carry forward or carry back excess credits. If the taxpayer is a pass through entity and does not have a tax liability, the credit could be taken by shareholders, partners, or members of the pass through entity in proportion to their distributive income from the pass through entity, or as otherwise agreed to by shareholders, partners, or members of the pass through entity. Since the credit is effective beginning in tax year 2008, the fiscal impact could not begin prior to FY 2009 provided PMAs are established by cities or towns.

Revenue from the Corporate AGI Tax is deposited in the state General Fund. Eighty-six percent of the revenue from the Individual AGI Tax is deposited in the state General Fund, and 14% is deposited in the Property Tax Replacement Fund.

Property Maintenance Areas (PMAs): The bill authorizes cities and towns to establish by ordinance PMAs, the boundaries of which may not exceed 5% of the total land area of the city or town. The bill requires a PMA to be either: (1) a "residentially distressed area" or; (2) an area that contains the property types defined in the PMA ordinance that have a median AV not exceeding the median AV throughout the city or town. The bill defines a "residentially distressed area" as: (1) an area with a significant number of dwellings that are not permanently occupied, are unsafe, or are evidencing significant building deficiencies, or that has a significant number of vacant real estate parcels; or (2) an area that has experienced a net loss in the number of dwellings. The bill provides for a PMA to be in effect at least one year, but not more than 10 years. The PMA ordinance must include:

- (1) The geographic boundaries of the property maintenance area.
- (2) A list or definition of the types of property and maintenance activities that may entitle a taxpayer to the AGI Tax credit.
- (3) The eligibility qualifications for a contractor to perform maintenance activities within the property maintenance area.
- (4) The criteria for a landlord to be eligible for the AGI Tax credit.
- (5) The amount of the AGI Tax credit permitted within the limits specified by the bill.

The list or definition of maintenance activities determined by the municipality may include installing, repairing, or upgrading: roofing; siding; a furnace; a window or windows; paint; a foundation; electrical wiring; or plumbing.

#### **Explanation of Local Expenditures:**

**Explanation of Local Revenues:** Under this proposal, the PTRC paid to taxpayers in a municipality that establishes a PMA would be reduced by the AGI Tax credits claimed in the previous year. In effect, the PMA credits would cause a lagged property tax shift from the taxpayers who receive the credit to all other taxpayers in the municipality. The municipality would not experience any change in overall property tax revenue. The amount of property tax shift depends on local action.

**State Agencies Affected:** Department of State Revenue.

**Local Agencies Affected:** County auditors; Municipalities.

**Information Sources:**

**Fiscal Analyst:** Jim Landers, 317-232-9869.